

Subject: CCAA comments on the Homer Remand Preliminary Report
From: Abigail Fuller <full7960@uidaho.edu>
Date: Wed, 01 Sep 2004 14:45:10 -0700
To: lbc@commerce.state.ak.us

Attached are CCAA's comments and two attachments, it should be obvious which is which. One is an email, one is an excel file and the comments are in Word format. Also, the maps sent earlier are attachments to these comments.

Thank you.
Abigail Fuller

Subject: RE: Data requested on KESA-Millers Landing
From: "Camp, Jeanne" <JCamp@borough.kenai.ak.us>
Date: Thu, 17 Jun 2004 09:03:34 -0800
To: 'Abigail Fuller' <full7960@uidaho.edu>
CC: "Wheat, Connie" <CWheat@borough.kenai.ak.us>

Abigail,

Just heard from Connie Wheat in the assessing department. The figures we presented to you are the certified assessments that the KPB sends to the State. The last time Homer assessments were re-evaluated was during 1997-1998, so the differences you are finding would not have been impacted by that event.

TCA 21 (Miller's Landing) is an area that existed for less than six months, just from the assessment period early in the year until the certification was finalized during June.

The certified values are sealed and will not change, nor can they be recreated. The only additional information that could be provided would be a listing of the individual parcels in the area and their values. As I understand it, this is a cumbersome process that involves unsealing the files to print this list. The resulting numbers would still be the same as those we presented to you.

If you seek additional information, you might want to contact her at cwheat@borough.kenai.ak.us.

Jeanne Camp
KPB Economic Analyst

-----Original Message-----
From: Abigail Fuller [<mailto:full7960@uidaho.edu>]
Sent: Wednesday, June 16, 2004 11:28 AM
To: jcamp@borough.kenai.ak.us
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Jeanne --

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figures given for Millers Landing and for the annexed area. You provided a figure of \$61,782,940 for Millers Landing and \$76,395,600 for the area annexed. But, the numbers given by the LBC (which are either 2000 or 2001 figures) add up to only \$58,166,200 total for the area that was annexed. How do I reconcile these figures? The difference is significantly more than what can be explained by growth. (But I can't remember when the area was re-appraised, which could have an impact - was it 2001?) I also have trouble believing Millers Landing, commercial as it is, is 80% of the area annexed's value - the rest contains many expensive homes. Is it really that much?

I hope you can explain these figures so they make sense to me, thanks,
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KESA_Miller Landing.xls	Content-Type: application/octet-stream Content-Encoding: base64
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CCAA comments.doc	Content-Type: application/msword Content-Encoding: base64
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Re: Data requested on KESA-Millers Landing	Content-Type: message/rfc822 Content-Encoding: 7bit
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Jeanne Camp (E-mail).vcf	Content-Type: application/octet-stream Content-Encoding: BASE64
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**Citizens Concerned About Annexation's
Comments on the Homer Remand
Preliminary Report
9/1/2004**

Introduction

Staff has not done its job here. Out of a 99 page report only three pages actually address the issue before the LBC. Staff's "analysis" amounts to finding no impact from the loss of 25% of KESA's tax base simply because KESA is still viable! This casual brush-off is not what Judge Rindner had in mind when he ordered the LBC to consider annexation's impact on KESA. (Staff has also cited the current set of regulations instead of the ones that were in effect for Homer's annexation. The correct ones can be found at R 105-108 and R 137-139.)

Staff has filled the rest of the report with 50 pages of background material and two claims. The first claim, that cities are always preferred over service areas, is irrelevant to the issue before the LBC, as the alleged preference applies only in certain narrow circumstances surrounding creation of service areas. The creation of KESA is not at issue.

The second claim, that the Court overstepped its authority when it ordered the remand, is nothing but a diatribe against the Court. Apparently staff is desperately trying to convince the Commissioners to appeal Judge Rindner's remand order, but its argument has no merit. Judge Rindner did not create a new standard, he is merely ensuring that the LBC follows both its Constitutional duty to apply the broad view to boundary changes, and its statutory duty to find that a proposed boundary change is in the State's Best Interest.

Judge Rindner ordered the LBC to consider annexation's impact on KESA, and then, with that impact in mind, to reconsider whether the annexation is in the state's best interest. Because staff has not provided any guidance to the LBC on either of these two issues, CCAA will try to fill the void. The following comments supplement what CCAA has already said in its earlier comments, and CCAA urges the Commissioners to refer to those comments along with

these as they consider the issues before them.

Annexation's Impact on KESA

The Loss of Tax Revenue will Result in a Reduced Budget

Homer says that because of the loss of tax base due to annexation “the borough must adjust its service area budget, tax rates, boundaries, levels of service, or otherwise.” (Homer Reply Comments, p3.) Yes, it must, and this is the impact on KESA that the LBC must analyze. Just how much is the borough going to have to “adjust” (read “cut”) the budget, or raise tax rates, or change the boundaries (if it can), or reduce services? Unfortunately, staff’s eagerness to thumb its nose at the court caused it to fail to examine even one of these impacts. Once the impact is analyzed, the LBC must weigh whether the benefits to the 900 people annexed outweigh the harm to the 4000 people¹ remaining in KESA. Nowhere in the 99 pages does staff even begin such a weighing process.

Homer suggests reducing the level of service that KESA provides. Reducing services will have a potentially serious adverse impact on the residents of KESA. Because dropping fire services or emergency medical services is simply not an option, only the overall level of service can be reduced, but reduced to what? The service area’s goals are to bring response times up to the national standard. (Ex A with CCAA’s previous comments (KESA Comprehensive Plan).) Reducing services means longer response times², which means fewer lives saved and more

¹ CCAA is using round numbers for convenience, it does not dispute staff’s population figures, although they differ from KPB’s figures.

² Without KESA, all response comes from Homer and it can take 15 minutes to get out of the station. (KESA minutes for 12/7/00, statement of Bob Purcell.) The further reaches of KESA are a half hour or more from the fire station. Only stationing equipment and having trained and equipped volunteers in the area can reduce response times.

property lost. In a medical emergency mere minutes can mean the difference between life and death. In the case of cardiac arrest, a life can be saved if defibrillation can be done within six minutes. (http://www.early-defib.org/03_01_01.html, and see also <http://www.usatoday.com/news/nation/ems-day1-cover.htm>) KESA plans to acquire portable defib units for the use of ALL volunteers, which benefits residents of both KESA and Homer.³ With a structure fire, minutes can make the difference between a chance to save the structure and just soaking down the embers of a total loss. With a wildfire, a fast response makes the difference between the Hutler Road fire (one outbuilding lost) and the Miller's Reach fire (344 structures lost). (R 550, <http://www.ak-prepared.com/plans/mitigation/mrfire.htm>)

Homer's suggestion that KESA expand its boundaries is more easily said than done. CCAA has sent a map of the fire and emergency service areas in KPB, and a map showing the nature of property ownership.⁴ A comparison of the two will show that the only territory KESA could annex is either native or government owned and will not increase the tax base. Crossing the bay to take in the communities on the other side will cost more to provide services to than it will add to the tax base. Taking over a portion of another service area is unlikely to be a solution when the benefits and detriments to both are taken into account. The only remaining option is adding Kachemak City and/or Homer to KESA, which is certainly possible but requires the approval of the cities.⁵ Reducing KESA's boundaries is also not an option as it would result in some areas not being served at all, a severe impact for those areas. Furthermore, any such boundary change would require a vote of the affected people under AS 29.35.450(c), it is not

³ "Homer" in this context includes Kachemak City.

⁴ These were sent separately, but should be considered attachments to these comments.

⁵ Homer has not offered to do this.

entirely up to the borough to make the decision.

Increasing taxes within the service area would have a direct adverse impact on the residents of the service area. Increasing taxes in order to provide the same level of service is also neither efficient nor cost effective. Homer claimed it could not maintain the current level of services without more tax revenue. (R 5.) It wished to annex rather than raise taxes within the city, yet recommends raising taxes within KESA to compensate for the tax revenue it siphoned off! When money is taken from one group to give to another, the detriment to one cancels the benefit to the other. KESA residents are already paying 1.75 mills more than they used to, half of which goes to Homer through the contract. Now Homer thinks raising that tax burden is the appropriate response to the harm it is doing to KESA by annexing a portion! Meanwhile staff suggests that Homer use its annexation windfall to reduce property taxes inside the city (R 2376), a classic example of robbing Peter to pay Paul.

The expected result of the loss in tax revenue due to annexation is a cut in KESA's budget. A cut in the budget means reduced services, there is no other option. KESA, as a relatively new service area, has not built up any bureaucratic fat that can be trimmed. A cut budget means less equipment purchased, and/or fewer volunteers trained, and/or fewer stations built. All of these mean slower response times which mean loss of life and property.

The Reduced Budget Hurts KESA's Ability to Provide Improved Services.

Staff found that KESA was still viable post annexation and stopped there. It failed to look into how deeply KESA's budget would be cut and what the resulting harm to its ability to provide services would be. It is expected that KESA will still have a contract with Homer, but what happens to its plans to improve services, not just to the area within KESA but to the city as

well? CCAA's analysis shows that KESA will have little money left to spend on improvements after paying the contract with Homer, which only covers responding to calls.

Several different sets of numbers were submitted to staff. All originated from KPB, so it is a little difficult to determine which ones are valid. Staff could have, and perhaps should have, consulted KPB to reconcile the differences. Homer used the assessed tax base for KESA from 2001 to compare to the post annexation tax base. CCAA, however, used the assessed tax base for KESA from 2002 both before and after annexation. The main difference is Millers Landing which was added to KESA as of 1/1/02 and is included in KESA's 2002 tax base. Because Millers Landing would have remained in KESA without annexation, the 2002 numbers are the best ones to use for an accurate assessment. CCAA did question the numbers given to it by KPB and was assured that they were accurate, see attachments.

As far as CCAA can determine, KESA loses \$114,593 in tax revenue because of annexation. (CCAA Comments, p.10.) Staff threw around a lot of numbers but never produced a figure for how much money was taken away from KESA. This is the only figure worth looking at, as it represents the direct impact on KESA. A comparison to other service areas is comparing apples to oranges because each service area is unique. Not only does each service area have different needs, but the others are established service areas and already have stations and equipment and trained personnel and/or volunteers. KESA is starting from scratch. Homer's contract takes care of responding to calls but KESA still needs to build stations, buy equipment, and train volunteers in order to bring the area's response times down to a the level that people want, one that can save cardiac arrest victims and burning homes. The only thing staff's comparison with other service areas can indicate is that KESA is probably still viable after

annexation. That says nothing about the impact on KESA. That an accident victim is still alive does not mean the victim was not impacted by the accident. The extent of the injury must be carefully evaluated to determine if, on balance, everyone (“the State”) is better off after the accident. All staff’s “analysis” amounts to is checking KESA for a pulse. What staff should have done is figure out how badly KESA was injured and what the impacts of the injury are on service area residents.

KESA’s loss of \$114,593 per year translates into less equipment purchased, fewer stations built, and/or fewer volunteers trained. What would \$114,593 pay for? If it is used for the matching funds to qualify for a grant it can mean a lot! Here are a few things \$114,593 can buy:

- ⌚ Almost 2 ALS vehicles (\$60,000 each, KESA minutes for 12/21/00)
- ⌚ 1 1/2 brush trucks (\$90,000 each, KESA minutes for 12/21/00)
- ⌚ 2/3 of a fire station to house 3 pieces of equipment (\$150,00, KESA minutes for 12/21/00)
- ⌚ 45 airpaks (\$2500 each, KESA minutes for 12/21/00)
- ⌚ A 1 1/2 ton diesel, 300 gallon tank, 550 gpm pump, compressed air foam (\$110,750 fob Homer, KESA minutes for 12/28/00)
- ⌚ Slightly more than half a 2500 gallon tanker, 1000 gpm pump, diesel, tools, equipment (\$201,842 fob Homer, KESA minutes for 12/28/00)
- ⌚ 2.9 35,000 gallon water tanks, installed (\$39,675, KESA minutes for 1/25/01)
- ⌚ Half of a fire station like K-Beach (\$209,000, KESA minutes for 2/15/01)
- ⌚ Pay off almost a quarter of the loan for an EMS rig, tanker/pumper, ambulance, brush truck. (\$495,750, KESA minutes for 3/29/01)

- ⌚ 38 ALS kits (\$3000 each, KESA minutes for 4/12/01)
- ⌚ 11 Lifepak cardiac monitors (\$10,000 each, KESA minutes for 4/12/01)
- ⌚ Most of a new ambulance (\$135,000, KESA minutes for 4/26/01)
- ⌚ 6 1/2 fire engines if purchased with grants! (FEMA grant for \$177,285 requires \$17,729 in matching funds, KESA minutes for 9/6/01)
- ⌚ Equipment (without gurney) for 8 ambulances (\$14,000, KESA minutes for 11/15/01)
- ⌚ Only half the matching funds for the planned fire station (state funding request for \$500,000 with \$250,000 matching funds, KESA minutes for 11/15/01)
- ⌚ Almost 2/3 of a fast attack F550 (\$180,000, KESA minutes for 11/15/01)

What is Homer planning to buy for improved services to make up for KESA's loss of ability?

KESA's Comprehensive Plan (Ex A with CCAA's Comments) includes the following as necessary to bring area response times up to the industry standard:

Large base station to house:

ambulance
 fire engine
 fast attack engine
 brush truck
 water tender
 and water storage

Smaller satellite station -- 2 -- to house

ambulance
 fast attack fire engine or brush truck

Medium station

ambulance

fast attack engine
one brush truck

Using the figures listed above shows the total capitalization need of KESA is \$2,570,000, and that is without all the smaller equipment or the volunteer training that is also necessary to utilize the equipment. The 2002 contract fee with Homer was set at \$119,829 for 6 months, or \$239,658 per year. (Ex. P with CCAA Comments.) Using the tax assessed figures that KPB provided to CCAA, KESA would have tax revenue of \$532,014 per year without annexation. Subtracting the contract fee leaves \$292,356 per year for other expenses. KESA's first budget, as approved by KPB Ord. 2001-19-07 (Ex. AB of CCAA Comments), spends \$70,660 on various non-capital expenses. This budget covered half the year. Operating expenses can be expected to climb over time as acquired equipment needs maintenance and so on, but using these figures, KESA will spend \$141,320 per year on operating expenses. This leaves \$151,036 per year to buy equipment and build stations, prior to annexation. After the loss from annexation, KESA only has \$36,443 per year to buy equipment and build stations. (Loss figures are in CCAA's Comments, p. 10.) If no grants were forthcoming, KESA could meet its goals in 17 years without annexation.⁶ With annexation and no grants, meeting the goals will take 70.5 years. (Because there are only so many grants given out each year, the availability of grants will reduce the total years by the same amount either way. The difference remains.) In real life, grants and loans should help KESA reach its goals of providing reasonable response times to emergency calls sooner. But, with the revenue loss from annexation, KESA can afford matching funds for fewer

⁶ Or take 17 years to pay off a no interest loan. (More with interest, but CCAA is keeping it simple.)

grants, and can borrow significantly less money. Even KPB, which wants KESA to succeed, is unlikely to make a 70 year loan.

All of this means that annexation = slower response times. Slower response times = loss of life and property. The impact of annexation on KESA could well mean someone will die who could have been saved. It will likely mean homes lost that could have been saved. What will Homer do with the money that KESA would use to reduce response times? The tax revenue paid to KESA is dedicated to firefighting and emergency medical services. But paid to Homer it could be used for anything, such as the new library or animal shelter they want so badly. (See R 2998, 3002, 3005, 3006, 3024-26, 3032, 3034.) Taking money from what is probably the most important public service to use for nonessentials is hardly in the state's interest.

Best Interests of the State

As explained in CCAA's previous comments, the state's interest is the efficient and cost effective provision of necessary services. Reasonable people could differ on whether certain government services are necessary, but all would agree that fire fighting and emergency medical are important and vital services. In fact, it is the one service that the people faced with annexation admitted they needed. (CCAA Comments, p. 3.) The state created its two forms of local government with the goal that such municipalities would provide necessary services. The state, despite what staff tries to imply, does not care whether the service is provided by a borough or by a city. It cares whether the needs of the people are being met in an efficient and cost effective manner. KESA (the Borough) can do a much better job of meeting the needs of its residents if it does not lose 1/4 of its tax base to Homer. Homer may be able, as it claims, to provide a broader range of services *within* the area annexed, but it cannot improve services to the

area beyond.

The comparison to be made here is between the benefit to the 900 hundred people annexed and the detriment to the 4000 people who remain in KESA. Without sufficient tax revenue KESA cannot reduce response times, thus risking lives and property. Staff fails to even begin to examine how such risk increases in its “analysis” of impacts. In comparison, if Homer does not annex, they may have to charge outsiders more to use their library, or increase the fee for an outsider to hook up to city water and sewer, or build fewer ball parks, or build a smaller animal shelter. When necessary services for 4000 people are compared to not so necessary services to 900 people, the answer is easy. Annexation is not in the state’s best interest.

	KESA - as originally approved w/o Miller Landing	Miller Landing	Homer Annexation Area
Population - 1/1/02	**By interpolation - 4,074	69 as of 6/1/2001	***2,204 as of 3/20/2000
Area - 1/1/02	*139,476.5 acres	*161.65 acres	2,767 Acres
Tax Assessed Values - 1/1/02	\$242,226,600	\$61,782,940	\$76,395,600

* - Per KPB Ordinance 2001-48

** - KESA population -
2000 actual - 4,013
interpolated - 4,074
2004 estimated - 4,134

*** Per the Local Boundary
Commission

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